

Fortlake Sigma Opportunities Fund

Monthly Fact Sheet—September 2024

Portfolio Running Yield currently stands at 5.77%. One-year returns remain strong at 7.36% (net), and since inception the strategy's performance has maintained a solid 11.26% (net) return.

We remain neutral on credit, with active tilts within the complex, focusing on defaults in the high yield sector. Increased volatility in credit and interest rates presents opportunities that we anticipate will enhance performance in the coming months. Dispersion is the dominant theme in credit markets, though a broader range of industries is showing signs of distress. A few distressed credits still drive spreads. Avon Products Inc. (AVP) recently defaulted under Chapter 11, delivering a recovery rate of 34 cents on the dollar, a neutral outcome for the Fund.

Credit spreads have tightened, helped by the Federal Reserve's -50bp rate cut. Despite this, the dispersion between distressed and non-distressed names is at its lowest since 2019. The most defensive names are those with the widest spreads, aligned with their fundamental outlook. The highest risks remain in those names that haven't priced in macro risks. Over the month, the Fund actively managed credit risk to reduce hedging costs.

Shorting the widest names in high yield indices remains costly due to carry and elevated interest rate structures. As the term structure falls, hedging may become more appealing, potentially widening spreads. Significant arbitrage opportunities have emerged as panic buying tightens high yield indices relative to individual constituents, a symptom of credit short covering. Risks are nuanced across credit markets and European leveraged loans. Although distressed names show dispersion, aggregate spreads haven't widened significantly. We expect this to change as distress broadens across industries, particularly among weaker names. Softer economic data could amplify credit risks in these areas.

Portfolio Snapshot at 30 September 2024

Portfolio YTM (Gross)	5.31%
Average Credit Quality	BBB+
Weighted Average Years to Maturity	2.05
Total Number of Exposures	468
Total Country Exposures	25

Portfolio Returns to 30 September 2024

	Gross	Net	Benchmark*	Excess Return (net)
1M	0.50%	0.40%	0.36%	0.04%
3M	-0.55%	-0.81%	1.12%	-1.93%
1Y	10.36%	7.36%	4.49%	2.87%
2Y p.a.	16.31%	13.08%	4.06%	9.02%
3Y p.a.	11.73%	9.15%	2.89%	6.25%
Since Inception p.a.**	13.96%	11.26%	4.77%	6.50%

*RBA Overnight Cash Rate. **Fund inception: 18-Dec-2020

Fund Statistics at 30 September 2024

Since Inception*	
Best Month Since Inception	6.20%
Worst Month Since Inception	-2.61%
% Positive Months Since Inception	73.33%

*Fund inception: 18-Dec-2020. Past performance is not an indicator of future performance and fees or costs may change in future years.

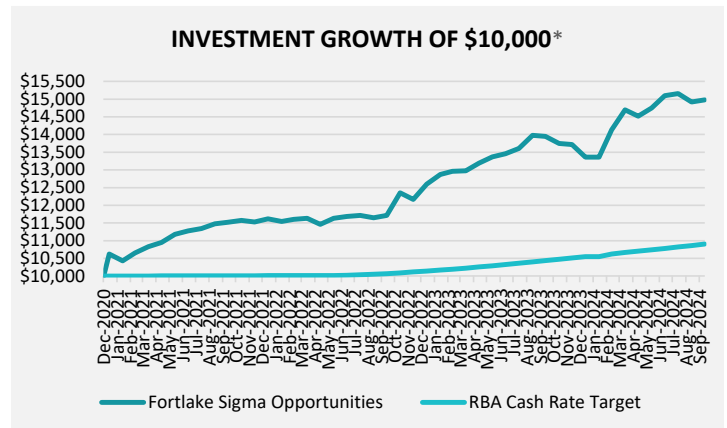
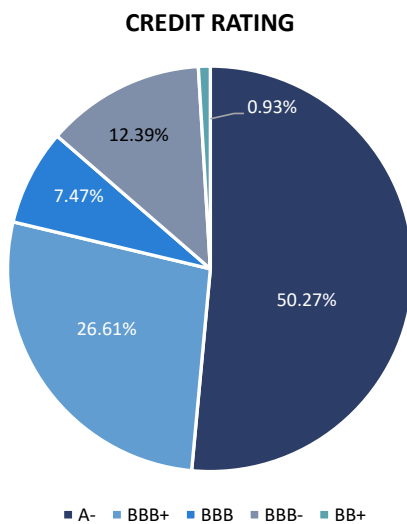
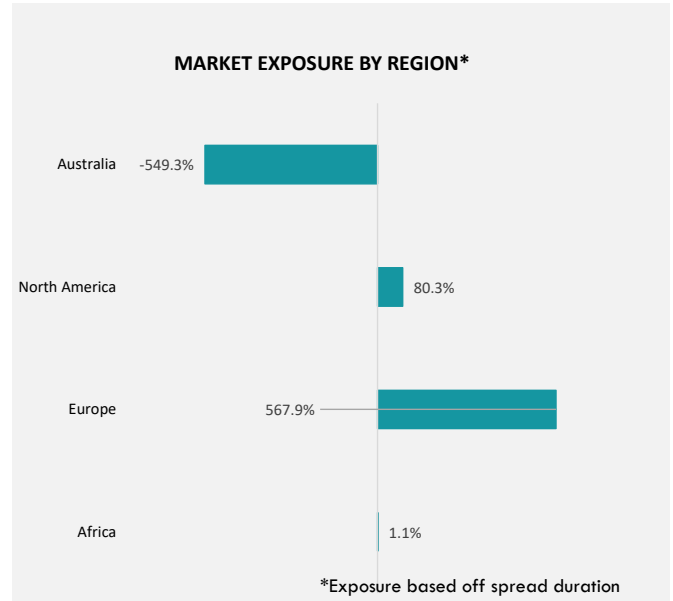
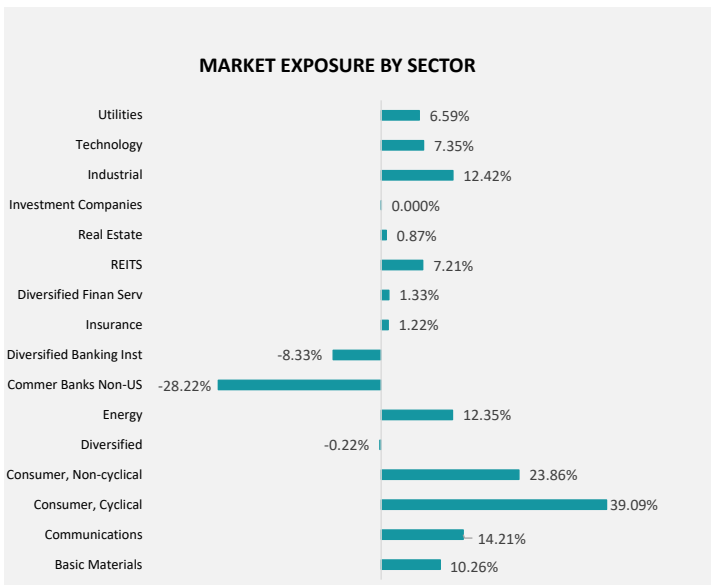
Interest rate volatility remains high due to concerns about labour market weakness, economic growth, the upcoming US election, and the Federal Reserve's expected rate cuts. Yields have dropped further throughout the month.

Fund attribution over the month was defined by **Default Arb** (+76.7 bps), **Corporate Hedges** (-12.9 bps), **Corporate/Gov Bonds** (+6.1 bps), **Inflation** (0bps) and **Duration/Curve** (-20.1 bps) contributing to overall (gross) return.

Fund Facts

Investment Return Objective: RBA Overnight Cash Rate + 7% - 10% p.a.

Fund Managed by	Fortlake Asset Management Limited	Management Fee	0.9225% p.a. including GST
Fund Type	Wholesale Australian Unit Trust	Performance Fee	20.5% including GST over 6% of net returns
Fund issued by	Colonial First State Investments Ltd	Responsible Entity Fee and Indirect Costs	0.49% p.a. including GST
Responsible Trustee	Colonial First State Investments Ltd	Buy/Sell Spread	0/0.15%
Fund Inception	18-Dec-20	Distribution Frequency	Quarterly
Minimum Investment	\$100,000	Liquidity	Daily



*Hypothetical performance assumes net returns and reinvestment of all distributions since inception. Past performance is not an indicator of future performance and fees or costs may change in future years.
Source: Morningstar

Fortlake Sigma Opportunities Fund Performance (net returns)													
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Year
2024	3.34%	2.40%	3.97%	-1.20%	1.57%	2.36%	0.40%	-1.60%	0.40%				12.10%
2023	2.15%	0.74%	0.08%	1.68%	1.35%	0.64%	1.10%	2.71%	-0.18%	-1.42%	-0.24%	-2.61%	6.03%
2022	-0.65%	0.50%	0.26%	-1.47%	1.53%	0.42%	0.27%	-0.56%	0.54%	5.49%	-1.49%	3.52%	8.42%
2021	-1.80%	2.14%	1.67%	1.08%	2.14%	0.87%	0.57%	1.20%	0.34%	0.50%	-0.40%	0.79%	9.41%
2020												6.20%	6.20%

Source: Morningstar

All data as at 30 September 2024 unless otherwise stated. Past performance is not an indicator of future performance and fees or costs may change in future years.

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